

**REPORT OF THE AUDIT OF THE  
LAWRENCE COUNTY  
SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period  
May 24, 2008 Through April 24, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE 502.564.5841  
FACSIMILE 502.564.2912**



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**LAWRENCE COUNTY**  
**SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period**  
**May 24, 2008 Through April 24, 2009**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2008 Taxes for the Lawrence County Sheriff for the period May 24, 2008 Through April 24, 2009. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$5,330,206 for the districts for 2008 taxes, retaining commissions of \$219,848 to operate the Sheriff's office. The Sheriff distributed taxes of \$5,105,070 to the districts for 2008 taxes. Taxes of \$109 are due to the districts from the Sheriff and refunds of \$707 are due to the Sheriff from the taxing districts.

**Report Comment:**

- The Sheriff's Office Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable David Compton, Lawrence County Judge/Executive

Honorable Garrett Roberts, Lawrence County Sheriff

Members of the Lawrence County Fiscal Court

Independent Auditor's Report

We have audited the Lawrence County Sheriff's Settlement - 2008 Taxes for the period May 24, 2008 Through April 24, 2009. This tax settlement is the responsibility of the Lawrence County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Lawrence County Sheriff's taxes charged, credited, and paid for the period May 24, 2008 Through April 24, 2009, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated October 9, 2009 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable David Compton, Lawrence County Judge/Executive

Honorable Garrett Roberts, Lawrence County Sheriff

Members of the Lawrence County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen

Auditor of Public Accounts

October 9, 2009



LAWRENCE COUNTY  
GARRETT ROBERTS, SHERIFF  
SHERIFF'S SETTLEMENT - 2008 TAXES

May 24, 2008 Through April 24, 2009

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 663,664	\$ 890,373	\$ 1,653,128	\$ 490,709
Tangible Personal Property	68,538	123,697	170,717	140,142
Fire Protection	5,591			
Increases Through Exonerations	324	458	807	199
Franchise Taxes	191,718	309,450	476,457	
Additional Billings	82	109	206	61
Unmined Coal - 2007 Taxes	14,333	14,441	34,880	10,454
Unmined Coal - 2003 Taxes	25	21	70	22
Unmined Coal - 2004 Taxes	27	22	70	22
Unmined Coal - 2005 Taxes	1,097	912	2,679	836
Oil and Gas Property Taxes	44,890	51,556	111,817	33,222
Penalties	9,419	12,717	23,307	6,960
Adjusted to Sheriff's Receipt	(318)	(203)	(466)	(210)
Gross Chargeable to Sheriff	999,390	1,403,553	2,473,672	682,417
<u>Credits</u>				
Exonerations	6,590	9,152	16,377	4,830
Discounts	13,696	19,593	33,924	9,482
Delinquents:				
Real Estate	19,090	29,733	47,356	14,057
Tangible Personal Property	251	453	625	189
Unmined Coal - 2005 Taxes	307	255	750	234
Unmined Coal - 2007 Taxes	364	367	886	265
Total Credits	40,298	59,553	99,918	29,057
Taxes Collected	959,092	1,344,000	2,373,754	653,360
Less: Commissions *	41,049	55,794	94,950	28,055
Taxes Due	918,043	1,288,206	2,278,804	625,305
Taxes Paid	917,208	1,286,810	2,276,183	624,869
Refunds (Current and Prior Year)	1,090	1,313	2,681	802
Due Districts or		**		
(Refunds Due Sheriff)				
as of Completion of Audit	\$ (255)	\$ 83	\$ (60)	\$ (366)

The accompanying notes are an integral part of this financial statement.

LAWRENCE COUNTY  
GARRETT ROBERTS, SHERIFF  
SHERIFF'S SETTLEMENT - 2008 TAXES  
For The Period May 24, 2008 Through April 24, 2009  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	2,905,646
4% on	\$	2,373,754
1% on	\$	40,806

\*\* Special Taxing Districts:

Library District	\$	42
Health District		(6)
Extension District		10
Soil Conservation District		(8)
Fire Fee District		57
Fire and Rescue District		(12)
		<hr/>

Due Districts or

(Refunds Due Sheriff)

\$	83
	<hr/>

LAWRENCE COUNTY  
NOTES TO FINANCIAL STATEMENT

April 24, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Lawrence County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

LAWRENCE COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 24, 2009  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Lawrence County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 24, 2009 all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2008. Property taxes were billed to finance governmental services for the year ended June 30, 2009. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 18, 2008 through April 24, 2009.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2008. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was February 14, 2008 through September 26, 2008.

Note 4. Interest Income

The Lawrence County Sheriff earned \$1,329 as interest income on 2008 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Lawrence County Sheriff collected \$46,778 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Lawrence County Sheriff collected \$4,269 of advertising costs and \$2,673 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office.

LAWRENCE COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 April 24, 2009  
 (Continued)

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts

The Sheriff's tax account as of April 24, 2009 consisted of the following:

	<u>Balance</u>
2002 Tax Year Surplus	\$ 6,140
2003 Tax Year Surplus	961
2004 Tax Year Surplus	1,222
2005 Tax Year Surplus	1,343
2006 Tax Year Surplus	1,877
2007 Tax Year Surplus	4,253
2008 Tax Year Surplus	12,351
Interest Earned	<u>406</u>
	<u>\$ 28,553</u>

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After three years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasury.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable David Compton, Lawrence County Judge/Executive  
Honorable Garrett Roberts, Lawrence County Sheriff  
Members of the Lawrence County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Lawrence County Sheriff's Settlement - 2008 Taxes for the period May 24, 2008 Through April 24, 2009, and have issued our report thereon dated October 9, 2009. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Lawrence County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Lawrence County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lawrence County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Lawrence County Sheriff's Settlement - 2008 Taxes for the period May 24, 2008 Through April 24, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Lawrence County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

October 9, 2009

COMMENT AND RECOMMENDATION



LAWRENCE COUNTY  
GARRETT ROBERTS, SHERIFF  
COMMENT AND RECOMMENDATION

May 24, 2008 Through April 24, 2009

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office lacks adequate segregation of duties. The bookkeeper collects and deposits tax receipts, records all transactions, prepares the monthly report, and reconciles the bank account. By not segregating these duties, there is an increased risk of a misappropriation of assets and/or inaccurate financial reporting. Good internal controls dictate the same employee should not handle, record, and reconcile receipts. If these duties cannot be segregated, the Sheriff should perform the following compensating controls to help offset this weakness:

- Recount and make the daily deposits.
- Agree daily tax collection total to the receipts ledger and deposit slip.
- Agree monthly tax reports to receipts ledger and disbursements ledger.
- Review the monthly bank reconciliation.

*Sheriff's Response:* None.

